Metinvest B.V.

Unaudited Interim Condensed Consolidated Financial Information

30 September 2010

Contents

Review report

To: the shareholders and directors of Metinvest B.V.

Introduction

We have reviewed the accompanying interim condensed consolidated financial information for the nine-month period ended 30 September 2010 of Metinvest B.V., Rotterdam, which comprises the interim condensed consolidated balance sheet as at 30 September 2010, the interim condensed consolidated income statement, the interim condensed statement of consolidated comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows and the selected explanatory notes for the nine-month period then ended. The directors are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information as at 30 September 2010 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 28 December 2010
PricewaterhouseCoopers Accountants N.V.

Originally signed by A.J. Brouwer RA

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In millions of US Dollars	**Note**	**30 September 2010**	**31 December 2009**
ASSETS			
Non-current assets			
Goodwill		1,681	1,855
Other intangible assets		1,090	1,167
Property, plant and equipment		5,484	5,649
Investments in associates	8	106	144
Available-for-sale investments		34	18
Deferred tax asset		66	88
Other non-current assets		427	213
Total non-current assets		**8,888**	**9,134**
Current assets			
Inventories		1,176	898
Trade and other receivables	9	2,564	1,979
Cash and cash equivalents		630	159
Total current assets		**4,370**	**3,036**
TOTAL ASSETS		**13,258**	**12,170**
EQUITY			
Share capital		-	-
Share premium		4,172	4,172
Other reserves	10	(4,022)	(4,119)
Retained earnings		6,032	5,592
Equity attributable to the owners of the Company		**6,182**	**5,645**
Non-controlling interest		**704**	**1,327**
TOTAL EQUITY		**6,886**	**6,972**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	11	1,662	929
Seller's notes		317	330
Deferred income		8	8
Retirement benefit obligations		389	343
Deferred tax liability		797	913
Other non-current liabilities	12	284	101
Total non-current liabilities		**3,457**	**2,624**
Current liabilities			
Loans and borrowings	11	858	1,014
Seller's notes		91	161
Trade and other payables	13	1,966	1,399
Total current liabilities		**2,915**	**2,574**
TOTAL LIABILITIES		**6,372**	**5,198**
TOTAL LIABILITIES AND EQUITY		**13,258**	**12,170**

Signed and authorized for release on behalf of Metinvest B.V. on 20 December 2010

Originally signed by Igor Syry, Director B

Originally signed by John W. Macdonald, Director A

Originally signed by Igor Syry, Director B

Originally signed by John W. Macdonald, Director A

In millions of US Dollars	Note	Nine months ended 30 September 2010	2009
Revenue	7	6,830	4,413
Cost of sales		(4,514)	(3,185)
Gross profit		**2,316**	**1,228**
Distribution costs		(626)	(515)
General and administrative expenses		(171)	(153)
Other operating expenses, net	14	(202)	(6)
Operating profit		**1,317**	**554**
Finance income		44	35
Finance costs		(157)	(133)
Share of result of associates		4	(4)
Profit before income tax		**1,208**	**452**
Income tax expense		(335)	(102)
Profit for the period		**873**	**350**
Profit is attributable to:			
Owners of the Company		703	385
Non-controlling interests		170	(35)
Profit for the period		**873**	**350**

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

In millions of US Dollars	Nine months ended 30 September 2010	2009
Profit for the period	**873**	**350**
Other comprehensive income		
Revaluation of available-for-sale investments	(48)	16
Impairment of property plant and equipment, net of tax	-	(10)
Share in equity reserves movements of associates	(21)	27
Currency translation differences	(8)	(202)
Total other comprehensive income	**(77)**	**(169)**
Total comprehensive income for the period	**796**	**181**
Total comprehensive income attributable to:		
Owners of the Company	622	268
Non-controlling interests	174	(87)
	794	**181**

In million of US Dollars	Note	**Nine months ended 30 September 2010**	**2009**
Cash flows from operating activities			
Profit before income tax		**1,208**	**452**
Adjustments for:			
Depreciation and amortisation		506	400
Gain on disposal of property, plant and equipment		(3)	(15)
Finance income		(44)	(35)
Finance costs		157	133
Loss on unrealised operating foreign exchange translation		46	(23)
Net increase in retirement benefit obligation		40	37
Share of result of associates		(4)	4
Other non-cash operating (gains)/losses		(6)	3
Operating cash flows before working capital changes		**1,900**	**956**
(Increase)/decrease in inventories		(293)	468
Increase in trade and other accounts receivable		(331)	(262)
(Increase)/decrease in other non-current assets		-	16
Increase in trade and other accounts payable		299	108
Decrease in other non-current liabilities		(9)	(4)
Cash generated from operations		**1,566**	**1,282**
Income taxes paid		(287)	(260)
Interest paid		(108)	(66)
Net cash from operating activities		**1,171**	**956**
Cash flows from investing activities			
Purchase of property, plant and equipment		(333)	(231)
Purchase of intangible assets		(6)	-
Proceeds from sale of property, plant and equipment		13	-
Acquisition of subsidiaries, net of cash acquired		-	7
Payments for shares in Ilyich I&SW and Ilyich Steel	6	(440)	-
Acquisition of United Coal Company, net of cash acquired		-	(31)
Payments for subsidiaries and non-controlling interest – from SCM Group and related parties			(122)
Loans issued		(10)	-
Proceeds from repayment of loans issued to SCM Group companies		13	-
Interest received		4	4
Net cash used in investing activities		**(759)**	**(373)**
Cash flows from financing activities			
Proceeds from loans and borrowings		1,376	85
Repayment of loans and borrowings		(557)	(536)
Net trade financing repayments		(206)	(171)
Repayment of Seller's Notes		(106)	-
Dividends paid		(445)	(48)
Net cash generated from/(used in) financing activities		**62**	**(670)**
Effect of exchange rate changes on cash and cash equivalents		(3)	(6)
Net (decrease)/increase in cash and cash equivalents		**471**	**(93)**
Cash and cash equivalents at the beginning of the year		**159**	**261**
Cash and cash equivalents at the end of the period		**630**	**168**

In million of US Dollars	Attributable to equity holders of the Company: Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2010	**-**	**4,172**	**(4,119)**	**5,592**	**5,645**	**1,327**	**6,972**
Revaluation of available-for-sale investments	-	-	(48)	-	**(48)**	-	**(48)**
Share in equity reserves movements of associates	-	-	(20)	-	**(20)**	(1)	**(21)**
Currency translation differences	-	-	(13)	-	**(13)**	5	**(8)**
Other comprehensive income for the period	**-**	**-**	**(81)**	**-**	**(81)**	**4**	**(77)**
Profit for the period	-	-	-	703	**703**	170	**873**
Total comprehensive income for the period	**-**	**-**	**(81)**	**703**	**622**	**174**	**796**
Realised revaluation reserve	-	-	(124)	124	**-**	-	**-**
Disposal of subsidiaries and associates to SCM (Note 8, 15)	-	-	243	-	**243**	183	**426**
Acquisition of non-controlling interest in MetalUkr Holding from SCM (Note 6)	-	-	59	-	**59**	(569)	**(510)**
Dividends declared by the Parent (Note 10)	-	-	-	(387)	**(387)**	-	**(387)**
Dividends declared by non wholly owned subsidiaries	-	-	-	-	**-**	(411)	**(411)**
Balance at 30 September 2010	**-**	**4,172**	**(4,022)**	**6,032**	**6,182**	**704**	**6,886**
Balance at 1 January 2009	**-**	**4,172**	**(4,339)**	**5,105**	**4,938**	**1,348**	**6,286**
Revaluation of available-for-sale investments	-	-	16	-	**16**	-	**16**
Impairment of property plant and equipment, net of tax	-	-	(10)	-	**(10)**	-	**(10)**
Share in equity reserves movements of associates	-	-	22	-	**22**	5	**27**
Currency translation differences	-	-	(145)	-	**(145)**	(57)	**(202)**
Other comprehensive income for the period	-	-	**(117)**	**-**	**(117)**	**(52)**	**(169)**
Profit for the period	-	-	-	385	**385**	(35)	**350**
Total comprehensive income for the period			**(117)**	**385**	**268**	**(87)**	**181**
Realised revaluation reserve	-	-	(132)	132	**-**	-	**-**
Acquisition of non-controlling interest in subsidiaries from SCM (Note 6)	-	-	7	-	**7**	(129)	**(122)**
Decrease in non-controlling interest due to Group restructuring (Note 6)	-	-	-	14	**14**	(14)	**-**
Business combination MMZ and Promet	-	-	-	-	**-**	(61)	**(61)**
Dividends declared by non wholly owned subsidiaries	-	-	-	-	**-**	(91)	**(91)**
Balance at 30 September 2009	**-**	**4,172**	**(4,581)**	**5,636**	**5,227**	**966**	**6,193**

1. Metinvest B.V. and its operations

Metinvest B.V. (the "Company"), is a private limited liability company registered in the Netherlands. The Company is controlled by JSC System Capital Management ("SCM").

The Company and its subsidiaries (together referred to as the "Group" or "Metinvest Group") are a fully integrated steel producer, owning assets in each link of the production chain – from iron ore mining, coking coal mining and coke production, through to semi-finished and finished steel production; as well as pipe rolling and plate/coil production. The steel products and iron ore are sold on both the Ukrainian and export markets.

SCM has been performing a comprehensive legal restructuring of its holdings, whereby all controlling interests in its companies related to the steel and mining business were transferred to Metinvest B.V. As the Metinvest Group has been formed through a reorganisation of entities under common control, this consolidated financial information has been prepared using the predecessor basis in a manner similar to the pooling of interest method. Accordingly, the financial information, including corresponding amounts, have been presented as if the transfers of controlling interests in the subsidiaries had occurred at the beginning of the earliest period presented, or, if later, on the date of acquisition of the subsidiary by the transferring entities under common control. The assets and liabilities of the transferred subsidiaries were recorded in this consolidated financial information at the carrying amount in the transferring entities' financial information. The difference between the carrying amount of net assets and the purchase consideration was recorded as an adjustment to the merge reserve in equity. As at 30 September 2010, this legal reorganisation is almost complete.

Until November 2007, the Company was 100% controlled by SCM. SCM is registered in Donetsk, Ukraine and is controlled by Mr. Rinat Akhmetov.

In November 2007 the Company acquired from parties known as Smart Group ("SMART") 82% of the shares in the share capital of JSC Inguletskiy Mining and Processing Works in exchange for the transfer to it of 25% of the shares in the share capital of the Company. Further SCM and SMART negotiated and agreed that SMART would contribute their equity interest in JSC Makeyevka Steel Plant ("MMZ") and JSC Promet Steel, in exchange SMART would acquire veto rights over the management of the Company. Due to the complexity of the transaction, Promet Steel was acquired in 2009, while certain procedural matters concerning the acquisition of MMZ have yet to be finalized; however, both MMZ and Promet Steel have been consolidated from 1 January 2009. As of 30 September 2010, Metinvest B.V. is owned 75% by SCM and 25% by SMART.

The major changes to the corporate structure of the Group since 31 December 2009 are disclosed in Notes 6 and 15.

As part of the Shareholder Agreement, SCM has agreed to sell/contribute its remaining equity interests in the Metinvest Group entities and certain other equity investments to Metinvest B.V. As at 30 September 2010, SCM's carrying value of such assets totalled USD 524 million (31 December 2009: USD 1,038 million). As of the date of preparation of this financial information, the Shareholders are undecided on the exact mechanism and at which value these assets will be brought into Metinvest B.V. The remaining non-controlling interests belong to a large number of investors.

The Company's business address is Alexanderstraat 23, 2514 JM, the Hague, the Netherlands. The Company is registered with the commercial trade register under the number 24321697. The principal places of production facilities of the Group are in Ukraine, Italy and the USA.

2. Operating environment of the Group

The Group is one of the largest mining and steel company globally and is the second largest steel producer in Ukraine. Its major subsidiaries are located in Ukraine, the European Union and the USA.

Ukraine, whose economy is considered to be developing and characterised by relatively high economic and political risks, continues to implement economic reforms and the development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Ukrainian economy is largely dependent upon these reforms and the effectiveness of economic, financial and monetary measures undertaken by government, together with tax, legal, regulatory, and political developments. The developing economies are vulnerable to market downturns and economic slowdowns elsewhere in the world.

The effects of the ongoing global financial crisis continued to have a significant impact on the Group in the second half of 2010. The duration of the crisis and the delayed recovery of industries and banking sector may result in reduction in cash from operations, availability of credit, increase in costs and delay in timing or reduction of planned capital expenditures. The unexpected further deterioration in international financial and commodities markets could negatively affect the Group’s results and financial position in a manner not currently determinable.

Metinvest’s financial performance is largely dependent on the global price of and demand for iron ore and steel products. The prices of steel products are influenced by many factors, including demand, worldwide production capacity, capacity utilisation rates, raw material costs, exchange rates, trade barriers and improvements in steel making processes. In recent years steel prices have experienced significant fluctuations and have been gradually increasing since the second half of 2009 after a rapid decrease in the third quarter 2008.

Until March 2010 worldwide prices for iron ore were set based on a benchmark price determined in part based on the outcome of annual negotiations between the world’s largest steel manufacturers and the world’s largest iron ore mining companies, to which Metinvest was not party. In March 2010, this benchmark system was replaced with a new system involving quarterly contracts with pricing linked to the spot market. The new system uses quarterly rather than annual contracts and the price of iron ore is set against an average determined by the spot market instead of being based on negotiations. The new pricing system had a significant effect on substantial increases in prices for iron ore. These increases were also due to increase in demand for iron ore products in late 2009 and early 2010 and the effects of restocking beginning to replace the destocking seen in 2009.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

3. Basis of preparation and significant accounting policies

This interim condensed consolidated financial information for the nine months ended 30 September 2010 has been prepared in accordance with IAS 34, “Interim Financial Reporting”. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRS as adopted by EU.

Except as described below, the basis of preparation and accounting policies applied are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2009.

Exchange rate fluctuations. The following table summarises exchange rates of UAH against USD and EUR as of the dates and average for the periods presented in this interim condensed consolidated financial information:

	Nine months ended 30 September 2010	**Nine months ended 30 September 2009**	**30 September 2010**	**31 December 2009**
Exchange rate for USD 1	UAH 7.937	UAH 7.725	UAH 7.914	UAH 7.985
Exchange rate for EUR 1	UAH 10.449	UAH 10.553	UAH 10.771	UAH 11.449

Current and deferred taxes. Income tax expense in the interim period is recognised based on management’s best estimate of the weighted average effective annual income tax rate expected for the full financial year..

4. Critical accounting estimates and judgments in applying accounting policies

Disposal of subsidiaries and associates

As discussed in Note 1, the Group restructuring as part of the Shareholder Agreement between SCM and SMART is ongoing. As discussed in more detail in Notes 8 and 15, during the nine months ended 30 September 2010, the Group has sold a number of its subsidiaries and associates to SCM resulting in a gain of USD 426 million, which has been recognised directly in equity. Significant judgement is applied in assessment of economic substance of these transactions and resulting recognition of these either in equity or income statement.

Ilyich Iron and Steel Works ("Ilyich I&SW")

As discussed in Note 6, in June 2010 Metinvest has entered into negotiations with the shareholders of Ilyich I&SW on merger of their metals and mining assets. As of 30 September 2010, the deal is not closed, although some stages are completed. Judgement is required for determining of the date of acquisition and when control passes to Metinvest. Management considers that the control is transferred when all the regulatory approvals are obtained and the shares are legally registered to Metinvest. Subsequent to 30 September 2010, regulatory approval was obtained and accordingly this investment will be consolidated in the 4th quarter of 2010.

5. Adoption of new or revised standards and interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial periods beginning 1 January 2010 and are not relevant to the Group's operations:

- Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS.
- Eligible Hedged Items - Amendment to IAS 39, Financial Instruments: Recognition and Measurement.
- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment.
- IFRIC 17, Distribution of Non-Cash Assets to Owners.
- IFRIC 18, Transfers of Assets from Customers.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial periods beginning 1 January 2010 and have not been early adopted:

- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011).
- IFRS 9, Financial Instruments Part 1: Classification and Measurement (effective for annual periods beginning on or after 1 January 2013). The standard was not yet endorsed by EU.
- Classification of Rights Issues - Amendment to IAS 32 (issued 8 October 2009; effective for annual periods beginning on or after 1 February 2010).
- Prepayments of a minimum funding requirement (Amendment to IFRIC 14) (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011).
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010).
- Improvements to International Financial Reporting Standards (issued in May 2010, effective dates vary standard by standard, but most are effective for annual periods beginning on or after 1 January 2011)
- Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010).

All International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and effective as at 1 January 2010 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.)

6. Business combinations

Acquisition during nine months ended 30 September 2010: acquisition of interest in subsidiaries from SCM Group

In March 2010, the Group has acquired from SCM the remaining 34.4% equity interest in MetalUkr Holding Limited for consideration of USD 510 million.

As a result of this acquisition the Group has increased its effective share in JSC Severniy Mining and Processing Works by 21.8%, JSC Central Mining and Processing Works – by 26.1%. Difference between carrying value of non-controlling interest acquired of USD 569 million and purchase consideration of USD 510 million was recorded in merge reserve in equity.

The Group has agreed with SCM to setting off payment for this acquisition with the payment of USD 681 million for subsidiaries and associates sold to SCM in February 2010 (Notes 8, 15). Residual receivable from SCM in the amount of USD 171 million is included into trade and other receivables (Note 9).

Ilyich Iron and Steel Works ("Ilyich I&SW")

In June 2010, Metinvest and Ilyich I&SW, a Ukrainian steel plant which production 4 million tons in 2009, initiated discussions regarding a merger of certain of their metals and mining assets. The proposed transactions envisaged a number of steps:

- on 18 June 2010, an investment agreement was signed which requires Metinvest to fund Ilyich I&SW's investment program to the value of USD 2 billion over the next 5 years. This commitment is subject to agreement on the exact nature and timing of such investments and is also contingent on the second stage of the transaction;

- Ilyich I&SW and its controlling parent entity Ilyich Steel issuing additional shares equal to 75% of their share capital, which is to be taken up by Metinvest. On 18 August 2010, Metinvest subscribed for such additional shares and paid USD 376 million. As at 30 September 2010, this additional share issue has not been registered pending all regulatory approvals, and accordingly has been recorded as a prepayment for shares in other non-current assets. Since the legal title of the new Ilyich shares has not been registered, no value has been assigned to the potential investment agreement.

- the last step of the transaction envisages Metinvest either to contribute 25% of each of JSC Khartsyzsk Tube Works, JSC Krasnodonugol, JSC Avdiivka By-Product Coke Plant and JSC Inguletskiy Mining and Processing Works to the previous controlling shareholders of Ilyich Steel or to purchase all remaining interest in Ilyich Steel and Ilyich I&SW from previous controlling shareholders. The final stage of this transaction has not been initiated pending final decision on its structure and obtaining appropriate approvals.

In July 2010, Metinvest also acquired 5.1% of Ilyich I&SW's from parties related to SCM for cash consideration of USD 64 million. This investment is recorded as available-for-sale investment as at 30 September 2010 at a fair value of USD 34 million, with the resulting loss recorded in other comprehensive income.

Acquisition during nine months ended 30 September 2009: acquisition of interest in subsidiaries from SCM Group

As discussed in Note 1, the Group's legal reorganisation is ongoing and during the nine months ended 30 September 2009, the Group acquired from SCM the remaining 48.8% interest in Metinvest Holding LLC for cash consideration of USD 122 million. The difference between the carrying value of this interest and the consideration paid totalling USD 7 million has been recorded as a credit in other reserves in the statement of changes in equity.

During the nine months ended 30 September 2009, the Group completed various internal transfers of interests in existing subsidiaries, which resulted in an increase of effective interests as at 30 September 2009. The net result of such transfers was a reclassification of USD 14 million between non-controlling interest and shareholders' equity.

Acquisition during nine months ended 30 September 2009: UCC

On 30 April 2009, the Group acquired a 100% equity interest in United Coal Company LLC ("UCC"). Revenue and net loss of UCC of USD 194 million and USD 37 million respectively are included in the consolidated income statement for the nine months ended 30 September 2009.

If the acquisition had been completed on 1 January 2009, the net revenues of the Group would be USD 147 million higher and net profit of the Group would not change significantly.

7. Segment information

The Group is organised on the basis of three main business segments:

- Steel – comprising the production and sale of semi-finished and finished steel products;
- Coke and Coal – comprising the mining and sale of metallurgical and steam coal, production and sale of coke.
- Iron Ore – comprising the production, enrichment and sale of iron ore.

The Group is a vertically integrated steel and mining business. A significant portion of the Group's iron ore and coke and coal production are used in its steel production operations.

Group business is not subject to significant seasonal fluctuations.

In million of US Dollars	Steel	Coke and coal	Iron ore	Corporate overheads	Eliminations	Total
Nine months ended 30 September 2010						
Sales – external	3,776	861	2,193	-	-	**6,830**
Sales to other segments	43	742	737	-	(1,522)	-
Segment revenue	**3,819**	**1,603**	**2,930**		**(1,522)**	**6,830**
Adjusted EBITDA	**139**	**328**	**1,522**	**(25)**	**(26)**	**1,938**
Reconciling items:						
Charitable donations and sponsorships						(124)
Depreciation and amortisation						(504)
Finance costs						(157)
Finance income						44
Share of result of associates						4
Other						7
Profit before tax						**1,208**
Capital expenditure	109	85	139			**333**

In million of US Dollars	Steel	Coke and coal	Iron ore	Corporate overheads	Eliminations	Total
Nine months ended 30 September 2009						
Sales – external	3,017	478	918	-	-	4,413
Sales to other segments	34	407	333	-	(774)	-
Segment revenue	**3,051**	**885**	**1,251**	**-**	**(774)**	**4,413**
Adjusted EBITDA	**389**	**165**	**548**	**(28)**	**-**	**1,074**
Reconciling items:						
Charitable donations and sponsorships						(125)
Depreciation and amortisation						(400)
Finance costs						(133)
Finance income						35
Share of result of associates						(4)
Other						5
Profit before tax						**452**
Capital expenditure	126	45	60	-	-	**231**

From May 2010, the Group commenced purchasing iron ore from a single counterparty, for sale to third parties. The revenues of the Iron Ore segment for the nine months ended 30 September 2010 include USD 302 million of such sales which generated EBITDA of USD 1 million.

During the nine months ended 30 September 2010 the Group sold USD 195 million of steel products (nine months ended 30 September 2009: USD 728 million) to a single customer, which comprises 3% of total sales of the Group (nine months ended 30 September 2009: 16%).

8. Investments in associates

The principal associates of the Group are as follows:

		30 September 2010		31 December 2009	
Name	**Segment**	**% ownership**	**Carrying value**	**% ownership**	**Carrying value**
IMU	Steel	49.90%	60	49.90%	81
JSC Donetskkoks	Coke and coal	24.50%	9	24.50%	9
JSC Zaporozhkoks	Coke and coal	25.00%	37	25.00%	33
Other	Iron ore	-	-	N/a	21
Total			**106**		**144**

In February 2010 the Group has sold its interests in associates with a total carrying value of USD 21 million to SCM for total consideration of USD 144 million, generating a gain of USD 123 million. As discussed in Note 4, the gain on disposal was recognised directly in equity.

As further discussed in Note 6, the disposal consideration was partly set-off with the payables for acquisition of remaining equity interests in MetalUkr Holding Limited.

9. Trade and other receivables

	30 September 2010	**31 December 2009**
Trade receivables and receivables on commission sales	1,320	1,141
Receivables for bonds and promissory notes sold	368	403
Loans issued to related parties (Note 16)	201	39
Interest accrued on loans issued	41	31
Receivables for disposal of subsidiaries and associates (Note 6)	176	5
Receivables for deposit certificates sold	60	26
Other financial receivables	36	28
Total financial assets	**2,202**	**1,673**
Recoverable value added tax	166	117
Prepayments made	119	63
Income tax prepaid	28	88
Other receivables	49	38
Total trade and other receivables	**2,564**	**1,979**

10. Share capital and other reserves

There were no changes in share capital during the nine months ended 30 September 2010. Movement in other reserves is summarised below.

In million of US Dollars	Revaluation of available-for-sale investments	Revaluation of property, plant and equipment	Merge reserve	Cumulative currency translation reserve	Total
Balance as at 1 January 2010	**54**	**1,256**	**(3,028)**	**(2,401)**	**(4,119)**
Share in equity reserves movements of associates	(20)	-	-	-	**(20)**
Realised revaluation reserve	-	(124)	-	-	**(124)**
Revaluation of available-for-sale investments	(48)	-	-	-	**(48)**
Currency translation differences	-	10	-	(23)	**(13)**
Disposal of subsidiaries and associates to SCM (Note 8, 15)	-	(9)	147	105	**(i) 243**
Acquisition of non-controlling interest in MetalUkr Holding from SCM (Note 6)	-	-	59	-	**59**
Balance as at 30 September 2010	**(14)**	**1,133**	**(2,822)**	**(2,319)**	**(4,022)**

In million of US Dollars	Revaluation of available-for-sale investments	Revaluation of property, plant and equipment	Merge reserve	Cumulative currency translation reserve	Total
Balance as at 1 January 2009	**33**	**941**	**(3,035)**	**(2,278)**	**(4,339)**
Share in equity reserves movements of associates	22	-	-	-	**22**
Realised revaluation reserve	-	(132)	-	-	**(132)**
Impairment of property plant and equipment, net of tax	-	(10)	-	-	**(10)**
Revaluation of available-for-sale investments	16	-	-	-	**16**
Currency translation differences	(3)	(31)	-	(111)	**(145)**
Acquisition of non-controlling interest in subsidiaries from SCM (Note 6)	-	-	7	-	**7**
Balance as at 30 September 2009	**68**	**768**	**(3,028)**	**(2,389)**	**(4,581)**

On 28 May 2010, Metinvest B.V. declared dividends in the amount of USD 400 million payable from 28 May 2010 through 27 May 2013. Based on management's estimate of future cash flows, the present value of these dividends, using an effective interest rate of 5.35% per annum, is USD 387 million and has been recorded in retained earnings. As of 30 September 2010, USD 61 million of these dividends are included in Other non-current liabilities and USD 203 million are included in Trade and other payables, and USD 123 million were paid during the period.

11. Loans and borrowings

Loans and borrowings were as follows:

In million of US Dollars	**30 September 2010**	**31 December 2009**
Non-current		
Bank borrowings	1,165	750
Bonds	493	175
Other	4	4
	1,662	**929**
Current		
Bank borrowings	389	529
Trade finance	275	482
Bonds and interest accrued on bonds	194	-
Other	-	3
	858	**1,014**
Total loans and borrowings	**2,520**	**1,943**

In May 2010, Metinvest B.V. placed Eurobonds with a par value of USD 500 million on the Irish Stock Exchange. The bonds carry a coupon rate of 10.25% per annum, paid semi-annually, were placed with a discount of 0.95% and are repayable in 2015.

In July 2010 the Group obtained new loan in the nominal amounts of USD 700 million bearing nominal interest of LIBOR 1M + 5.5% per annum, paid monthly. Principal is repayable in equal monthly instalments starting from July 2011 through July 2013.

Additionally, a USD 40 million loan bearing interest at 11.5% and repayable until 2013 was obtained.

Also, during the nine months ended 2010 the Group has repaid USD 416 million of existing borrowings.

The Company continues to operate with trade finance arrangements under existing trading lines.

12. Other non-current liabilities

	30 September 2010	31 December 2009
Long-term dividends payable to shareholders of Metinvest B.V.	61	-
Long-term dividends payable to non-controlling shareholders of Group subsidiaries	153	25
Tax liabilities under moratorium	23	23
Asset retirement obligations	27	24
Other non-current liabilities	20	29
Total other non-current liabilities	**284**	**101**

During nine months ended 30 September 2010, some of the Group's non-wholly owned subsidiaries declared dividends in the total amount payable to non-controlling interests of USD 426 million with deferred payment through 2012. Based on management's estimate of future cash flows, the present value of these dividends, using an effective interest rate of 5.35% per annum is USD 409 million and has been recorded in non-controlling interest.

13. Trade and other payables

	30 September 2010	31 December 2009
Trade payables	729	523
Payables on sales made on commission	188	138
Payables for acquired subsidiaries and non-controlling interest	32	35
Dividends payable to shareholders of Metinvest B.V.	203	125
Dividends payable to non-controlling shareholders of Group subsidiaries	230	105
Promissory notes issued (UAH denominated with 15% effective interest)	145	135
Payables for acquired property, plant and equipment	12	15
Payables for promissory notes purchased	1	16
Payables for acquired other financial instruments	1	25
Other financial liabilities	29	37
Total financial payables	**1,570**	**1,154**
Income tax payable	100	23
Other taxes payable	49	45
Wages and salaries payable	34	27
Prepayments received	148	77
Accruals for unused vacations and other payments to employees	37	32
Other allowances	28	39
Other non-financial liabilities	-	2
Total trade and other payables	**1,966**	**1,399**

14. Other operating expenses, net

	Nine months ended 30 September	
In million of US Dollars	**2010**	**2009**
Maintenance of social infrastructure	10	15
Loss on sales of inventory	-	(1)
Gain on disposal of property, plant and equipment	(4)	(15)
Foreign exchange losses/(gains), net	46	(163)
Charitable donations and sponsorships	135	131
Other (income)/expenses	15	39
Total other operating expenses, net	**202**	**6**

During the nine months ended 30 September 2010, the Group sponsored the Shakhtar Donetsk Football Club, Televisual & Broadcasting JSC "Ukraine" and contributed to various companies and charities associated with the shareholders.

15. Disposal of subsidiaries

As disclosed in Note 1, the Shareholders agreed to combine their respective steel and mining assets however the Group also owned certain non steel and mining assets which the shareholders have agreed to remove from the Group. In February 2010, 100% of JSC Avlita, a consolidated subsidiary at 31 December 2009 and other minor subsidiaries (part of Iron Ore and Coke and Coal segments), were sold to SCM. The assets and liabilities sold are as follows:

	February 2010
Cash and cash equivalents	2
Property, plant and equipment	88
Inventories	12
Other current and non-current assets	71
Deferred income tax liability	(11)
Other current and non-current liabilities	(45)
Total net assets of disposed subsidiary	**118**
Disposed interest in net assets of subsidiary	**114**
Goodwill	**120**
Total carrying amount of net assets disposed of	**234**
Total disposal consideration	**537**
Gain on disposal	**303**

The amount of disposal consideration was defined based on the management valuation of the businesses sold. As discussed in Note 4, the Group has recorded the gain on disposal of the subsidiaries directly in equity.

As discussed in Note 6, the disposal consideration was partly set-off with the payables for acquisition of remaining equity interests in MetalUkr Holding Limited.

16. Balances and transactions with related parties

Unless stated otherwise, all other related parties are related through common control by SCM. Significant balances outstanding with related parties are detailed below:

	As at 30 September 2010				As at 31 December 2009			
In million of US Dollars	SCM	Associates	Other	SMART	SCM	Associates	Other	SMART
ASSETS								
Other non-current assets, including:	**-**	**6**	**-**	**-**	**191**	**10**	**-**	**3**
Receivables for promissory notes sold	-	6	-	-	-	6	-	-
Long-term loans granted	-	-	-	-	191	4	-	-
Other non-current assets	-	-	-	-	-	-	-	3
Trade and other receivables, including:	**568**	**25**	**480**	**-**	**222**	**174**	**286**	**7**
Trade receivables and receivables on commission sales	-	22	197	-	-	172	13	6
Prepayments made	-	2	1	-	-	-	2	-
Receivables for promissory notes and bonds sold	145	1	213	-	188	-	211	1
Loans issued	193	-	8	-	-	-	39	-
Interest accrued on loans issued	40	-	-	-	31	-	-	-
Receivables for disposal of subsidiaries and associates	171	-	5	-	-	-	5	-
Receivables for deposit certificates sold	17	-	33	-	-	-	12	-
Other receivables	2	-	23	-	3	2	5	-
Cash and cash equivalents	**-**	**-**	**136**	**-**	**-**	**-**	**64**	**-**

	As at 30 September 2010				As at 31 December 2009			
In million of US Dollars	SCM	Associates	Other	SMART	SCM	Associates	Other	SMART
LIABILITIES								
Non-current liabilities, including:	**129**	**1**	**4**	**86**	**14**	**6**	**4**	**11**
Non-bank borrowings	-	-	3	-	-	-	3	-
Dividends payable	129	-	-	86	14	-	-	11
Other non-current liabilities	-	1	1	-	-	6	1	-
Bank borrowings			**18**		**-**	**-**	**18**	**-**
Trade and other payables, including:	**296**	**67**	**287**	**65**	**174**	**233**	**122**	**68**
Accounts payable for promissory notes purchased	-	1	-	-	-	16	-	-
Payables for acquisition of interest in Group companies	-	-	7	-	-	2	8	-
Dividends payable	295	1	12	65	173	-	-	41
Trade payables and payables on commission sales	-	33	247	-	-	213	72	-
Prepayments received	-	30	18	-	-	2	38	-
Other liabilities	1	2	3	-	1	-	4	27

16 Balances and transactions with related parties (continued)

Significant transactions with related parties during the nine months ended 30 September 2010 are detailed below:

In million of US Dollars	SCM	Associates	Other	Smart	Total
Sales, including:	**-**	**154**	**30**	**-**	**184**
Steel	-	1	26	-	27
Coal and coke	-	145	1	-	146
Other	-	8	3	-	11
Other operating income (expense), net	**(7)**	**-**	**(99)**	**-**	**(106)**
Charitable donations and sponsorships	(7)	-	(99)	-	(106)
Finance income (expense)	**11**	**-**	**1**	**-**	**12**
Interest income – bank deposits	-	-	2	-	2
Interest income – other	9	-	-	-	9
Other finance income (expense)	2	-	(1)	-	1
Sales of interest in subsidiaries and associates to SCM	**681**	**-**	**-**	**-**	**681**

In million of US Dollars	SCM	Associates	Other	Smart	Total
Purchases, including:	**-**	**5**	**597**	**-**	**602**
Coke and coking coal	-	4	101	-	105
Spare parts and materials	-	-	174	-	174
Electricity	-	-	261	-	261
Fuel	-	1	1	-	2
Services	-	-	32	-	32
Other	-	-	28	-	28
Acquisition of interest in subsidiaries from SCM (Note 6)	**510**	**-**	**-**	**-**	**510**
Acquisition of interest in Ilyich Iron and Steel Works from SCM (Note 6)	**64**	**-**	**-**	**-**	**64**

Significant transactions with related parties during the nine months ended 30 September 2009 are detailed below:

In million of US Dollars	SCM	Associates	Other	Smart	Total
Sales, including:	**-**	**99**	**14**	**-**	**113**
Steel	-	-	12	-	12
Coal and coke	-	89		-	89
Other	-	10	2	-	12
Other operating income (expense), net	**(19)**	**-**	**(106)**	**(4)**	**(129)**
Charitable donations and sponsorships	(37)	-	(90)	(4)	**(131)**
Other	18	-	(16)	-	**2**
Finance income (expense)	**12**	**-**	**1**	**-**	**13**
Interest income – bank deposits	-	-	1	-	**1**
Interest income – other	9	-	-	-	**9**
Other finance income (expense)	3	-	-	-	**3**

In million of US Dollars	SCM	Associates	Other	Smart	Total
Purchases, including:	**-**	**114**	**330**	**2**	**446**
Coke and coking coal	-	12	59	-	**71**
Spare parts and materials	-	74	35	-	**109**
Electricity	-	-	224	-	**224**
Fuel	-	1	1	-	**2**
Services	-	27	2	2	**31**
Other	-	-	9	-	**9**
Acquisition of interest in subsidiaries from SCM (Note 6)	**-**	**-**	**122**	**-**	**122**

During the nine months ended 30 September 2010, the amount of dividends declared to SMART is USD 192 million, present value of these dividends is USD 186 million (nine months ended 30 September 2009: USD 45 million and USD 42 million respectively).

During the nine months ended 30 September 2010, the remuneration of key management personnel of the Group comprised current salaries and related bonuses totalling USD 3.9 million (nine months ended 30 September 2009: USD 3.6 million).

17. Contingencies, commitments and operating risks

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and State authorities. Recent events within Ukraine suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Group conduct intercompany transactions at terms that may be assessed by the Ukrainian tax authorities as non-market. Because of non-explicit requirements of the applicable tax legislation, such transactions have not been challenged in the past. However, it is possible with evolution of the interpretation of tax law in Ukraine and changes in the approach of tax authorities, that such transactions could be challenged in the future. The impact of any such challenge cannot be estimated; however, Management believes that it will not be significant.

***Bankruptcy proceedings*.** There have been no changes in the bankruptcy proceedings against JSC Krasnodonugol.

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in this consolidated financial information.

Environmental matters. The enforcement of environmental regulation in Ukraine is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluate its obligations (including assets retirement obligations) under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default.

Insurance. At present, Metinvest Group maintains 'All Risk' property damage and business interruption coverage for its major subsidiaries including JSC Azovstal Iron and Steel Works JSC Enakievo Metallurgical Works, JSC Khartsyzsk Tube Works, JSC Severniy Mining and Processing Works, JSC Central Mining and Processing Works, JSC Inguletskiy Mining and Processing Works and JSC Avdiivka By-Product Coke Plant.

Distribution of dividends. Certain amendments introduced in various Ukrainian laws require joint stock companies to distribute not less than 30% of net profit for the period and/or retained earnings as dividends in 2010. Under Ukrainian tax legislation, such distributions shall be accompanied by advance corporate tax payments, which could later be offset against corporate tax liabilities. The Company is currently assessing the legal requirements and any implications of such decision on its financial information.

18. Post balance sheet events

In October 2010 the Group acquired 90.2% interest in MMZ for total cash consideration of USD 5 million.

On 17th November 2010, Metinvest obtained all the required regulatory approvals to acquire control over Ilyich I&SW and its parent Ilyich Steel and was registered as owner of 74.6% of Ilyich I&SW and 75.1% of Ilyich Steel. The initial accounting for the business combination is incomplete at the time this financial information is authorised for issue.

In December 2010, the new Tax Code of Ukraine was approved. The Tax Code is effective from 1 January 2011 and will significantly affect the calculations of current and deferred income taxes, as well as other taxes. In particular, commencing 1 April 2011 the corporate profit tax rate will gradually decrease from the current 25% to 16% by 2014. Management is assessing the financial impact of the new Tax Code on the operations of the Group.